

Hammond



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012
(213) 974-1101
<http://cao.co.la.ca.us>

DAVID E. JANSSEN
Chief Administrative Officer

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Second District

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Third District

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Fifth District

June 6, 2005

To: Supervisor Gloria Molina, Chair
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

**CHILD SUPPORT SERVICES DEPARTMENT – EXECUTION OF A MEMORANDUM
OF UNDERSTANDING WITH THE STATE DEPARTMENT OF CHILD SUPPORT
SERVICES (AGENDA ITEM #21 OF JUNE 7, 2005)**

The Child Support Services Department (CSSD) is requesting approval for the Director to execute a Memorandum of Understanding (MOU) with the State Department of Child Support Services (MOU). This MOU is required by the State in order to draw down \$2.7 million in federal funding already budgeted in the department's Fiscal Year (FY) 2004-05 budget.

Background

During the development of the FY 2004-05 budget, CSSD had a budget shortfall from a combination of salary and employee benefit increases and other cost increases that would have required them to lay off staff and significantly reduce expenditures because the State failed to increase their allocation to cover these cost increases.

The County agreed to recognize a portion of the revenue that CSSD collects that has been used to defray public assistance costs in the Assistance Budgets of the Department of Public Social Services and the Department of Children and Family Services to serve as an incentive for the department to continue a strong collection effort. This County incentive, along with a federal match of \$2.7 million, enabled CSSD to avoid layoffs and other severe reductions.

On January 13, 2005 (more than six months into the fiscal year), the State Department of Finance (DOF) indicated it was unwilling to process a request (referred to as a Section 28 request) to draw down the additional federal revenue due to the State's liability for increased federal penalties from their failure to implement a statewide automation system. The DOF had not raised this as a concern in prior years and the State had picked up any penalty cost increases. Failure of the State to move forward with the Section 28 request would have meant that CSSD had to reduce its budget by \$4 million in less than six months and layoff up to 200 staff.

Ultimately, on February 7, 2005, CSSD was notified that an agreement had been reached with DOF that would allow for the state to move forward with the Section 28 request for federal funds, but would require a formal agreement with counties on the payment of the penalty. The MOU, as presented, provides the Board with two options:

- 1) Pay a lump sum payment equal to the increased federal penalty estimated at \$815,000 due in FY 2006-07; or
- 2) See a reduction in the CSSD's allocation of \$2.4 million in FY 2006-07.

The Board does not have to decide on an option until the FY 2006-07 County budget when the penalty will be paid. This MOU must be signed and submitted to the State before June 15, 2005 in order to be included in the Section 28 request and we recommend your Board approve the execution of this MOU. When the penalty becomes due in FY 2006-07, we will work with CSSD and return to your Board with a recommendation for addressing the cost impact.

Please call me if you have any questions, or your staff may contact Debbie Lizzari of my office at (213) 974-6872.

DEJ:SRH

DL:alc

I:Section28.bm

c: County Counsel
Auditor-Controller
Executive Office, Board of Supervisors
Child Support Services Department
Department of Public Social Services